



Presentation to the House County Affairs Committee: Transformation Waiver

Kyle L. Janek, M.D., Executive Commissioner

Lisa Kirsch, Deputy Director,
Healthcare Transformation Waiver

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Background – Medicaid Waivers

- Waivers provide states with options for their Medicaid programs.
- Federal law allows states to apply to CMS for permission to deviate from certain Medicaid program requirements through waiver applications.
- States typically seek waivers to:
 - Provide different kinds of services;
 - Provide Medicaid to new groups;
 - Target certain services to certain groups; and
 - Test new service delivery and management models.

Background – Medicaid Waivers

- Types of Waivers

- 1915(b) waivers allow:

- Comparability of services.
- Freedom of choice.
- Amount, duration, and scope of services.
- Statewide services.

- 1915(c) waivers allow community based care.

- 1115 waivers allow states to test innovative Medicaid services.

Transformation Waiver Overview

- Allows expansion of managed care while protecting hospital supplemental payments (i.e., UPL) under a new methodology.
- Incentivize delivery system improvements and improve access and system coordination.
- Establishes Regional Healthcare Partnerships (RHPs) anchored by public hospitals or another public entity in coordination with local stakeholders.

UC and DSRIP

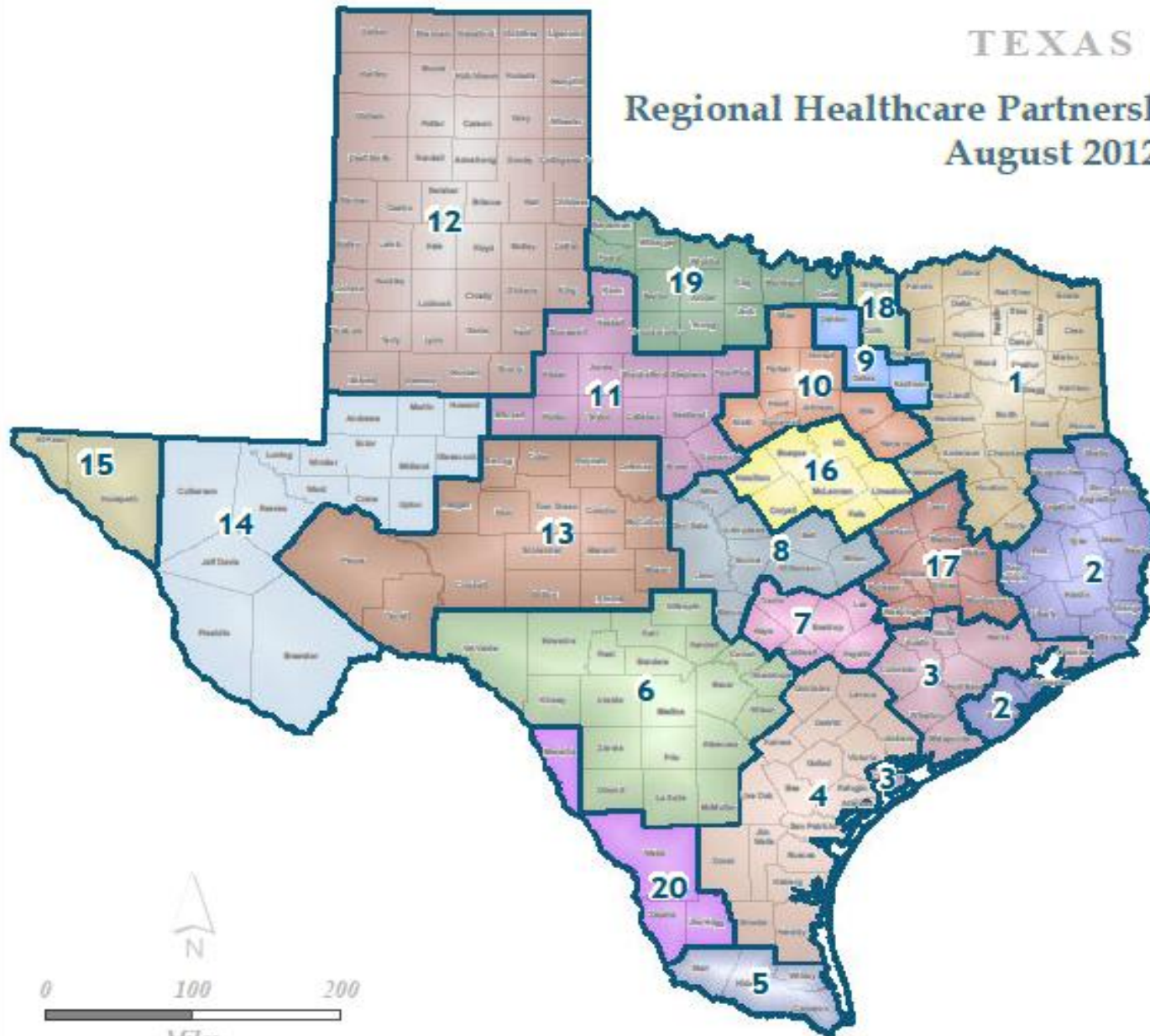
- Under the waiver, historic Upper Payment Limit (UPL) funds and new funds are distributed to hospitals and other providers through two pools:
 - **Uncompensated Care (UC) Pool**
 - Replaces UPL
 - Adds physician, clinic and pharmacy to allowable costs
 - Costs for care provided to individuals who have no third party coverage and Medicaid underpayment for hospital and other services
 - **Delivery System Reform Incentive Payments (DSRIP) Pool**
 - New program to support coordinated care and quality improvements through Regional Healthcare Partnerships (RHPs)
 - Transform delivery systems to improve care for individuals (including access, quality, and health outcomes), improve health for the population, and lower costs through efficiencies and improvements

Regional Healthcare Partnerships

- In May 2012, HHSC established 20 RHPs:
 - Each RHP is anchored by a public hospital or other public entity
 - Each RHP submitted an RHP Plan no later than December 31, 2012, that outlines priority community needs and DSRIP projects to improve regional health care delivery
- Hospitals and other providers must participate in an RHP to access UC and DSRIP funds.

TEXAS

Regional Healthcare Partnership (RHP) Regions August 2012



RHP Plan Expectations

- HHSC and the Centers for Medicare & Medicaid Services (CMS) must approve each RHP Plan.
- CMS expectations:
 - Planning process that demonstrates regional collaboration.
 - Projects that address community needs and are the most transformative for the region.
 - Projects that demonstrate outcomes by the end of the waiver (September 30, 2016).

Categories of DSRIP Projects

- Category 1 – Infrastructure Development - Lays the foundation for the delivery system through investments in people, places, processes and technology. Pay for performance.
- Category 2 – Program Innovation and Redesign - Pilots, tests and replicates innovative care models. Pay for performance.
- Category 3 – Quality Improvements - Healthcare delivery outcomes improvement targets tied to Category 1 and 2 projects. Pay for outcomes.
- Category 4 – Population-Based Improvements - Requires all RHPs to report on the same measures. Pay for reporting.

Submitted RHP Plans

- All 20 RHPs submitted their complete plans to HHSC by the December 31, 2012 due date.
- HHSC received 1,335 Category 1 and 2 projects, totaling \$7.6 billion. (Updated from 1,341 projects)
- RHPs proposed Delivery System Reform Incentive Payment (DSRIP) valuation for Categories 1, 2, 3, and 4 for DYs 2-5 of \$9.9 billion.
- Providers estimated \$19.5 billion in Uncompensated Care (UC) for DYs 2-5.
- Over 27% of projects proposed relate to behavioral healthcare (\$2.1 billion all funds over four years)

Projects and Outcomes

- Category 1: 655 projects, totaling \$4.0 billion
 - RHPs ranged from 7 to 91 projects
 - Project average value of \$6.1 million, range of \$44,000 to \$57 million
- Category 2: 680 projects, totaling \$3.6 billion
 - RHPs ranged from 7 to 80 projects
 - Project average value of \$5.3 million, range of \$43,000 to \$32 million
- Category 3: 1810 outcomes, totaling \$1.7 billion
 - RHPs ranged from 14 to 253 outcomes
 - Outcome average value of \$922,000, range of \$2,300 to \$19 million

Selected Project Areas

- **Top Category 1 Project Areas:**
 - Expand Primary Care Capacity (202 projects)
 - Expand Specialty Care Capacity (140 projects)
- **Top Category 2 Project Areas:**
 - Provide an intervention for a targeted behavioral health population to prevent unnecessary use of services in a specified setting (92 projects)
 - Establish/Expand a Patient Care Navigation Program (82 projects)

Performing Providers

- 383 RHP Participants:
 - 224 Hospital Performing Providers
 - 46 Safety Net Hospitals
 - 121 Private Hospitals
 - 82 UC-only Hospitals
 - 69 Private Hospitals
 - 38 Community Mental Health Centers (CMHCs)
 - 20 Local Health Departments (LHDs)
 - 12 Physician Practices affiliated with an Academic Health Science Center (AHSCs)
 - 6 Physician Practices not affiliated with an AHSC
 - 1 Other

Transformation Waiver: DSRIP and UC Status

- DSRIP Status
 - HHSC submitted formal feedback to RHPs
 - Submit RHP plans to CMS by March.
 - May 1, 2013 is target for federal approval.
- UC Status
 - HHSC is processing UC applications for Demonstration Year 1 and plans to make UC payments in early May 2013.

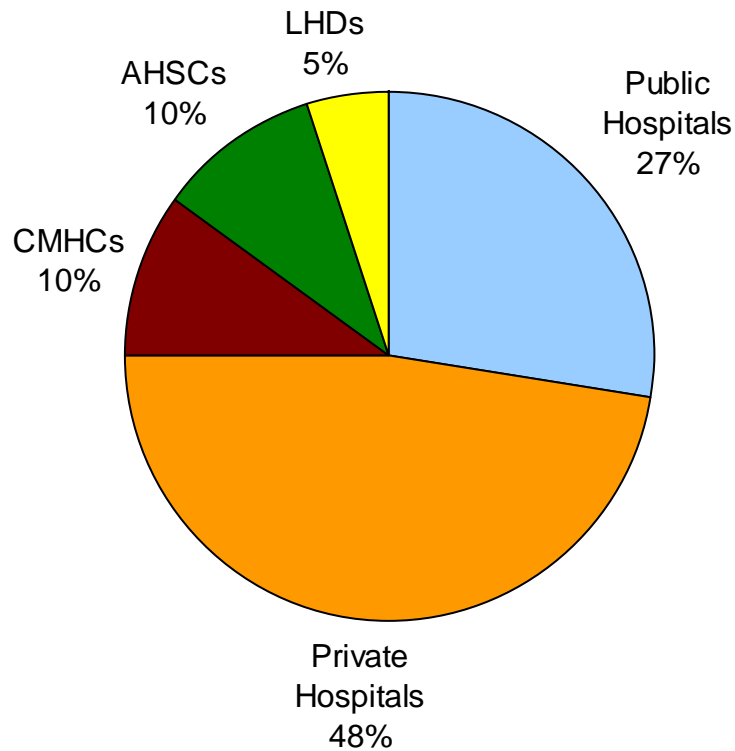
Appendices

Projects by Performing Provider

Type of Provider	# of Cat. 1 & 2 projects	Average Project Value	Total Cat. 1 & 2 Project Values
Hospitals	791	\$6.03 M	\$4.77 B
<i>Private</i>	398	<i>\$4.85 M</i>	<i>\$1.93 B</i>
CMHCs	297	\$4.21 M	\$1.25 B
LHDs	74	\$4.93 M	\$365 M
AHSCs	157	\$7.06 M	\$1.11 B

DSRIP Allocation vs. Valuation

**Pass 1 DSRIP Allocation
(\$10.9 B)**



**Proposed DSRIP Valuation
(\$9.8 B)**

